

Message Text

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SUBJECT: PUBLIC-PRIVATE SECTOR AGREEMENTS

REF: MEXICO 15646

1. FOLLOWING COMMENTS ON PUBLIC-PRIVATE SECTOR AGREEMENTS
CAME FROM AMBASSADOR'S DECEMBER 13 MEETING WITH U.S. BUSI-
NESSMEN. U.S. BUSINESSMEN VIEW AGREEMENTS NOT AS BINDING, BUT
RATHER AS A "LETTER OF INTENT". ONE BUSINESSMAN SAID HIS WAS
THE ONLY FOREIGN COMPANY IN HIS INDUSTRIAL GROUP (FATS AND
OILS) AND HE WAS UNDER CONSIDERABLE PRESSURE TO SIGN.

2. IT IS NOT CLEAR IF THE PROPOSED INVESTMENT OVER THE SIX-
YEAR PERIOD WOULD BE ADDITIONAL. AUTOMOBILE REPRESENTATIVES
SAID THIS WAS NOT NECESSARILY THE CASE FOR THEIR COMPANIES
WHOSE INVESTMENTS WOULD DEPEND ON THEIR OWN ASSESSMENT OF THE
ECONOMIC SITUATION. TIME FRAME FOR PROPOSED NEW INVESTMENT
APPEARS TO VARY FROM GROUP TO GROUP, IN SOME CASES BEING A
TWO-YEAR PERIOD AND IN OTHER CASES LONGER. THE BUSINESSMAN
SAID "SHORT-TERM" LABEL APPLIED TO AGREEMENTS WOULD BE
LONGER THAN GOM INTENDS AND SHORTER THAN INDUSTRY HOPES FOR.

3. SOME GOM-OWNED ENTERPRISES PARTICIPATED IN THE NEGOTIA-
TIONS. APPARENTLY THE FIRST AGREEMENT SIGNED WAS FOR PETRO-
CHEMICALS AND INVOLVED ONLY PEMEX.

4. THE ELEVENTH AGREEMENT WAS TO HAVE BEEN BETWEEN THE JLP
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TEAM AND THE BASIC CONSUMER DURABLES INDUSTRY. THIS WAS NOT

SIGNED FOR REASONS WHICH OUR BUSINESS CONTACTS WERE NOT CERTAIN, BUT BELIEVED DUE TO THE LARGE NUMBER AND VARIETY OF FIRMS INVOLVED.

5. THE BUSINESSMEN ARE NOT CLEAR WHAT APPROACH JLP WILL TAKE TO PRICE CONTROLS, BUT SOME SUSPECTED THAT HE MAY TRY TO CUT BACK ON THE NUMBER OF ITEMS THAT ARE PRICE-CONTROLLED, LIMITING THESE TO BASIC CONSUMER GOODS AND SOME CONSUMER DURABLES. SOME WORRY WAS EXPRESSED THAT PRICE CONTROLS WOULD BE APPLIED TO ONE "BASIC MODEL" WITH FIRMS EXPECTED TO MAKE UP LOSSES IN SALES OF OTHER MODELS, (CHARACTERIZED AS THE "VENEZUELAN SOLUTION").

6. WE VIEW THE AGREEMENTS AS A PUBLIC RELATIONS MEASURE MORE THAN AN ELABORATE ATTEMPT AT SECTORAL PLANNING. THEY HAVE ALREADY BEEN A PUBLIC RELATIONS SUCCESS BUT ONLY TIME CAN JUDGE THEIR USEFULNESS AS PLANNING TOOLS.

7. PARTICIPANTS IN THE DISCUSSIONS SAID THAT NEWSPAPER SUMMARIES WERE ACCURATE. THE OVERALL COVERING AGREEMENT IS AVAILABLE, BUT INDIVIDUAL SECTOR AGREEMENTS ARE MORE CLOSELY HELD. BUSINESSMEN GENERALLY WERE ENCOURAGED BY PREAMBLE LANGUAGE REAFFIRMING RIGHTS OF PRIVATE PROPERTY, RULE OF LAW AND DESIRABILITY OF REASONABLE PROFITS. ALL PARTICIPANTS WERE IMPRESSED BY CONCISE, PUNCTUAL AND EFFICIENT NATURE OF SIGNING CEREMONY OF OVERALL AGREEMENT.

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